

SUMMARY OF THE RATING REPORT

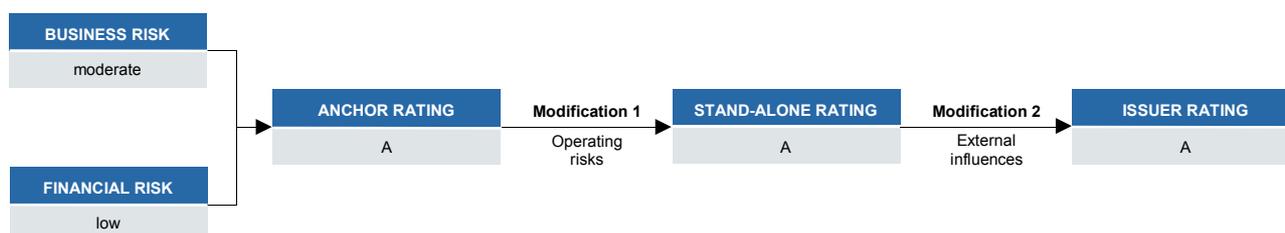
wpd AG

June 9, 2020



Issuer Rating

wpd AG		June 9, 2020	A
		Issuer Rating	
		Outlook	stable
Industry	Projecting, operating, and selling facilities in the field of the regenerative energies (focus: wind power onshore and offshore)	Total sales 2019	€ 618.0 million
		Employees 2019	826



BUSINESS RISK	moderate
<ul style="list-style-type: none"> The market-leader position of wpd Group in Germany A broad international diversification Own extensive portfolio Increasing market- and project-related risks, due to the changes in general environment and larger project volumes 	

OPERATING RISKS	- 0
<ul style="list-style-type: none"> In general, operating risks are handled in a suitable way 	

FINANCIAL RISK	low
<ul style="list-style-type: none"> High revenues and cash flows from the projecting business A solid income basis generated by own portfolio A very good capital structure High income and liquidity reserves in company's own portfolio 	

EXTERNAL INFLUENCES	± 0
<ul style="list-style-type: none"> No rating-relevant external influences 	

Rating Rationale

Euler Hermes Rating awards the credit standing of wpd AG with an 'A'. We are expecting that this rating will remain stable over the next twelve months.

A moderate business risk arising from the international diversification, market position and own portfolio, while depending on the external underlying environment

In our opinion, wpd AG is generally exposed to a moderate business risk. At the same time, the projecting business (*Development*) and operations (*Asset*) manifest different business risk profiles: wind farms in company's own wind farm portfolio generate stable, non-cyclical and sustainable cash flows. We regard as risk-mitigating the independent funding, fixed compensation amounts, purchase commitments and relative independence from changes in underlying conditions, which ensure a great degree of stability and sustainability as a result. In our opinion, wpd owns a well-diversified portfolio, with the *Asset* sector being exposed to low business risks. The business-related risk in the *Development* sector is higher due to the project risks, being dependent on the underlying conditions, site availability and high preliminary funding requirements, while dealing with uncertainties as to project realizations at the same time. The introduction of tender bids procedures has resulted in tougher, sector-wide, competition and increased pressure on margins. However, based on the international diversification, market position, personal and financial resources and network, we believe that wpd is now positioned very well, as it pursues a success-promising strategic direction to manage the increase in the market-related risks.

A low financial risk based on a very solid profitability, capital structure and financial flexibility

According to our assessment, wpd is exposed to a low financial risk. We assess positively the very strong profitability, in particular. The lasting stable feed-in revenues in the *Asset* sector provide for a solid earnings basis. Moreover, the *Development* sector generates quite high revenues and cash flows from project sales, which, in the stream of time, take place at irregular intervals. A sufficient base is constituted by the company's own extensive wind farm portfolio as well as extensive national and international project pipelines, which provide for high income and liquidity reserves. We are rating the capital structure, debt relief potential and interest cover relations as very good, with due regard to the hidden reserves and business characteristics typical for the kind of business. The financial debt mainly applies to the funding of company's own portfolio, which is mainly characterized by non-recourse funding deals. Contrary to the company's own wind farm portfolio, it is necessary to consider the very stable feed-in income. Moreover, the available cash and cash equivalents and lines of credit offer a very good financial flexibility. In our opinion, wpd Group generally manifests considerable buffers to compensate for the depressing market and competitive environment.

No modifications to anchor rating

In our opinion, the corporate Group has appropriate structures, processes and systems in place. In our view, the operating risks comply with the anchor rating. No rating-relevant external factors are present. As a result, the anchor rating was not modified.

Upgrade / Downgrade Factors

Factors that could lead to an Upgrade

- Further stabilisation of earnings and cash flows by expanding the profit contributions of the company's own wind portfolio
- Significant and sustainable improvement of the capital structure (equity ratio > 50 %) and the deleveraging potential
- Continued reduction of liability risks, contingent liabilities and other financial obligations

Factors that could lead to a Downgrade

- Rising market and project development risks as a result of adverse regulatory changes and larger project volumes
- Sustained deterioration of the capital structure (equity ratio < 30 %) and the deleveraging potential
- Increase in net financial debt due to significant materialisation of contingent liabilities
- Increase in liability risks, contingent liabilities and other financial obligations

Rating History

	2003-08-29	2004-04-08 – 2019-07-03	2020-06-09
Rating	A	A	A
Outlook	stable	stable	stable

Company

Main business: project development and wind turbine operations

wpd AG (hereafter referred to as "wpd" or "wpd Group"), which was founded in 1996, is an international developer and operator of onshore and offshore wind farms. Further activities include the photovoltaic field. As a planner, project manager and operator, the Group has, in the past, planned, conceptualized in the economic sense and realized projects with an approximate total nominal output of 4.7 gigawatt. wpd Group's domestic market is Germany. The main focus of the international activities is in Europe; there are also activities in Taiwan, Canada, USA, Chile, Japan, South Korea and the Philippines. wpd Group is one of the leading wind farm project developers in Europe. In the reporting period of 2019, wpd AG generated total sales of € 618.0 million with its 826 employees.

Development sector: project development and wind farm sales

The *Development* sector predominantly encompasses the planning and construction of wind farms, construction of wind farm infrastructure, devising wind farm funding structures, and wind farm selling—mainly to institutional investors. In addition to the domestic market in Germany, the main international focus is currently on Taiwan, Chile, France, Finland, Poland, Sweden, and Japan. At present, the development activities carried out by the Group cover mainly the following sectors

- Onshore wind national (approx. 3.2 GW)
- Onshore wind international (approx. 8.1 GW)
- Offshore wind (approx. 7.4 GW)
- Photovoltaic (approx. 1.2 GW)

Asset sector: Wind farm operations

The *Asset* sector primarily covers long-term operations of company's own onshore wind farms both in the home country and abroad. wpd's wind farm portfolio comprises wind farms in Germany, Europe (Finland, France, Belgium, Croatia, Poland, Spain), Canada and Taiwan. On December 31, 2019, the size of the company's wind farm portfolio was 1,768 MW (gross), with 706 MW (gross) being located in Germany. In addition, the gross figures include a complete portfolio of investments owned by the company but accounted for at equity. With the successive expansion of the company's own portfolio, wpd continues to expand its position as an independent power producer (Independent Renewable Power Producer—IRPP).

Shareholders and relevant subsidiaries

The founding partners, Dr. Gernot Blanke and Dr. Klaus Meier, each hold 50% of the shares in wpd AG. The company acts as a holding company and holds 100% of the shares in wpd offshore GmbH (offshore wind), wpd onshore GmbH & Co. KG (onshore wind Germany), wpd wind worldwide GmbH (onshore wind future markets), wpd North America holding GmbH and wpd Solar GmbH. wpd AG holds 67% of the shares in wpd europe GmbH (Wind Onshore Europe and Canada). The remaining 33% of the shares are held by the Stadtwerke München GmbH (SWM).

Executive management

The Board of Directors of wpd AG are Dr. Gernot Blanke (CEO), Dr. Hartmut Brösamle (COO Onshore), Mr. Achim Berge Olsen (COO Offshore) and Mr. Björn Nullmeyer (CFO). In addition to Dr. Meier, who holds the chair of the supervisory board, the board consists of Rainer Büssenschütt (former credit management supervisor at Sparkasse Bremen, now retired) and Bernd Karstedt (shareholder; DS Diersch & Schröder GmbH & Co. KG).

Attachment 1: Rating Performance

Analysts

- Matthias Peetz, Senior Analyst (Supervisor)
- Kai Gerdes, Director

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Rating Committee

- Holger Ludewig, Director
- Ms. Dörte Mählmann, Director

Rating, Participation, Significant Information Sources

- This rating was prepared in compliance with the EU-Regulation on Rating Agencies (CRA Regulation).
 - Solicited rating
 - Unsolicited rating
 - No participation of the evaluated unit or affiliated third party
 - Participation of the evaluated unit or affiliated third party
 - Access to internal supporting documents
 - Access to management
- Prior to the publishing of this rating, the evaluated unit had the opportunity to review the material assumptions of the rating, which have been documented in the rating report. After the review was concluded, the rating was not adjusted prior to the public release.
- Key information sources:
 - Consolidated financial statements (audit reports) 2017–2019
 - Excerpts from the internal reporting (e.g., business development in 2020, bank review schedule, etc.)
 - Market analyses
 - Information involving strategy and corporate planning
 - Documents pertaining to structure under corporate law
 - Interviews with management

Rating Methods and Definitions

- Issuer credit rating by Euler Hermes Rating GmbH as of May 2016
(https://www.ehrq.de/seiten/Methodik_Emittentenrating_20171114.pdf)
- Rating and other service compilation principles as of March 2020
(https://www.ehrq.de/seiten/Principles_2020.pdf)
- General indicators with regard to considering the ESG factors in our company rating as of March 2020
(https://www.ehrq.de/seiten/ESG_2020.pdf)

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Attachment 2: Rating categories*

Category	Explanation
AAA	In the opinion of EHR, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of EHR, AA rated entities demonstrate a very high credit quality with a very low default risk.
A	In the opinion of EHR, A rated entities demonstrate a high credit quality with a low default risk.
BBB	In the opinion of EHR, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of EHR, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of EHR, B rated entities demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of EHR, CCC rated entities demonstrate a very low credit quality with a high default risk.
CC	In the opinion of EHR, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of EHR, C rated entities demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations.
PLUS (+) MINUS (-)	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

* For more explanations and definitions please refer to: Basic principles for Assigning Credit Ratings and Other Services (https://www.ehrg.de/seiten/Principles_2020.pdf)

Disclaimer

The engagement to perform the rating was awarded by wpd AG (the client and also rated unit) on January 17, 2020. The management was interviewed on May 13, 2020. On June 9, 2020, the rating committee of Euler Hermes Rating GmbH audited the rating process, issued the rating notation, and approved the present version of the rating report. By submitting the rating report in its present version to the client on June 9, 2020, the rating process was concluded.

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Euler Hermes Rating GmbH

Hamburg, June 9, 2020